

- 1 **Q. (Reference CA-NP-008) It is stated "*Newfoundland Power is required to provide***  
 2 ***reliable, least cost service to its customers under all economic conditions.*"**  
 3 **a) Does a private sector entity operating in a competitive market need to take the**  
 4 **economy and its impact on customers into consideration or otherwise risk**  
 5 **going out of business? If not, why not?**  
 6 **b) Is a purpose of regulation to replicate the effects of a competitive market in**  
 7 **markets where competition does not exist? If not, why not?**  
 8 **c) Is it the responsibility of the Board rather than Newfoundland Power to ensure**  
 9 **the economic climate in the Province and its impact on electricity consumers**  
 10 **is taken into consideration? If not, why not?**  
 11 **d) Is it the responsibility of the Board rather than Newfoundland Power to ensure**  
 12 **electricity customers are protected from monopolistic pricing practices? If not,**  
 13 **why not?**  
 14 **e) Is it the responsibility of the Board to ensure the regulatory regime is in fact**  
 15 **reflecting what would happen in a competitive market? If not, why not?**

17 A. a) A private sector entity operating in a competitive market would likely consider a  
 18 wide variety of economic factors and impacts when determining its business  
 19 strategy.

21 b) As previously recognized by the Board:

23 *"Regulation is designed to ensure consumers receive safe and*  
 24 *reliable electricity at rates that are reasonable while allowing the*  
 25 *utility to earn a fair return on its investment in supplying the*  
 26 *electrical service. Regulation strives to strike an equitable balance*  
 27 *between the interests of consumers and the utility."*<sup>1</sup>

29 The Board's authority is derived from the powers and duties set out in the *Public*  
 30 *Utilities Act* (the "Act") and the *Electrical Power Control Act, 1994* (the  
 31 "EPCA").

33 The Act sets out the structure and powers of the Board. Section 16 of the Act  
 34 establishes that the Board has responsibility for the general supervision of public  
 35 utilities in the province.

37 The EPCA contains the provincial power policy. The provincial power policy  
 38 requires, among other provisions, that rates to be charged for service should be  
 39 reasonable and not unjustly discriminatory.<sup>2</sup> Section 4 of the EPCA states:

41 *"In carrying out its duties and exercising its powers under this Act*  
 42 *or under the Public Utilities Act, the public utilities board shall*  
 43 *implement the power policy declared in section 3, and in doing so*

<sup>1</sup> See Order No. P.U. 8 (2007), Appendix A, page 1 of 11.

<sup>2</sup> See Section 3(a)(i) of the EPCA.

1                                    *shall apply tests which are consistent with generally accepted*  
2                                    *sound public utility practice.”*  
3

4                                    Newfoundland Power is subject to the requirements of the provincial power  
5                                    policy and legislation, including a requirement to deliver power to customers at  
6                                    the lowest possible cost consistent with reliable service.<sup>3</sup> The provincial power  
7                                    policy applies in all economic conditions.  
8

9                                    c)     See part b).

10                                   d)     See part b).

11                                   e)     See part b).  
12  
13

---

<sup>3</sup> See Section 3 of the *Electrical Power Control Act, 1994*.